

## Office of the Washington State Auditor



### Fraud External Investigation Review Checklist


<b>Fraud Case Number</b>	F-22-371
<b>Client</b>	City of Spokane
<b>Fraud Specialist</b>	Tara Alfano
<b>Date of Investigation Review</b>	January 6, 2023








#### Objective:






Audit Policy 1410 may allow all or a portion of an investigation to be performed by a client, law enforcement agency (LEA) or other third party. In such cases, fraud specialists will review this work using the external fraud review checklist to determine if the investigative methods and conclusion can be relied on or if additional procedures are needed.

Investigators will contact Team Special Investigations, if you have questions or concerns during your review.

Notification of Suspected Loss		
1	When was our Office notified of the suspected loss? If we identified the suspected loss, when and how?	10/03/2022; City submitted fraud to SAO, not found by SAO
2	What was the amount or potential amount of the suspected loss?	\$5,772 was initial estimate, potentially more with all payroll benefits considered
3	What is the suspected method used to perpetrate the loss?	Employee accepted a full time position with a state agency (Washington State Health Care Authority (HCA)) and claimed to work the same four ten shift for the City of Spokane and the other agency from 8/01/22 through 9/26/2022. Employee collected pay from both agencies during this time. The City worked with HCA who provided confirmation of employment and the employee's schedule.
4	If there is assigned responsibility? If so, does the subject of the investigation have access to other accounting and financial systems? If yes, describe.	Yes, employee Micaela Martinez. As of 9/27/2022, employee does not have access to other systems, did have access to certain modules in the City's financial software as appropriate for the purchasing position. All City system and VPN access terminated on 9/27/2022.
5	Was the subject placed on administrative leave (date)? What is their current employment status?	Yes, 9/27/2022 through 10/29/2022 Subject opted for termination after Pre-disciplinary Hearing on 10/26/2022 and is no longer employed by the City.  Subject resigned from HCA effective immediately on 9/26/2022:   FW Follow Up (from HCA)

6	Who conducted the investigation? Name, Title	Christine Croskey CIA, Internal Auditor
7	In your judgment, is the individual investigating able to conduct an objective investigation? If no, describe.	Yes, City's Internal Auditor from an independent department
8	Does the individual have the experience and/or knowledge necessary to conduct the investigation? If no, describe.	Yes; HR, Payroll, and Legal Departments consulted by Christine for additional guidance as needed
9	Has our Office had any prior concerns working with the individual investing? If yes, describe.	No
10	Has the investigation been reviewed by the client?	Yes
<b>Scope, Methodology, and Evidence</b>		
11	What was the scope and methodology of the investigation? Please describe.	<p>See [  <a href="#">Investigative Memo_ Internal Audit</a> ]</p> <p>The City outlines their scope and methodology in Background, Objectives of Investigation, and Methodology sections. We noted the City's investigation determined the following:</p> <ol style="list-style-type: none"> <li>1) Whether the actions of Ms. Martinez resulted in a financial loss to the City</li> <li>2) If a financial loss occurred, what is the value of the loss</li> <li>3) Whether Ms. Martinez violated state ethics laws/regulations</li> </ol>
12	Did the individual investigating address the "what else" question?	<p>Yes, based on conversations Christine and Michelle Murray, Accounting Director, the City considered if the employee could have worked other jobs during employment history. Based on conversations with the employee's supervisors they noted no evidence of this.</p> <p>The City worked with Nathan Hathaway at HCA who provided email communications and information about HCA's investigation. This included the employee's written resignation notice to HCA in which the employee confirms she was employed by both agencies through 9/26/2022.</p> <p>The City reviewed the employee's email communications and VPN log-in information for the period and determined the employee did log into the City's system and determined she was in attendance during the period questioned. See Box 19 for more details.</p> <p>They also concluded that she likely completed some work at for City, however they could not conclude with any measurable evidence of work performed other than the timesheets submitted by the employee.</p> <p>The City determined there was no additional risk related to processing of invoices or user access for approving invoices for the employee. Segregation of duties is established when user access is granted, the IT department sets up permissions for user access and they are the only department that can make changes. The City has strong controls over accounts payable processing, all payments are approved in the accounting department before being sent and must be supported by an</p>

		invoice that has been approved by the applicable department supervisor and attached to their AP module in the general ledger. The employee would not be the person receiving, uploading or approving final invoices into the system for payment.
13	Were any subpoenas issued? If yes, describe.	No
14	Describe analytical procedures performed. Are any other analytical procedures necessary?	<p>Timesheet and payroll information was reviewed for the loss period to determine the amount of the loss, if any leave was taken and to determine total benefits paid. Employee worked a hybrid schedule as a result of COVID-19, during the loss period she typically worked 3 days in the office and two days remotely.</p> <p>No other analytical procedures are necessary.</p>
15	Were tests of transactions conducted using the lowest possible original source documents?	Yes, payroll information was reviewed using supporting paystubs and timesheets completed by the employee. Amounts included in the loss were based on actual salary, benefits, and leave accrual information in the City's payroll system.
16	Were interviews conducted of entity personnel?	<p>Yes, the subject was interviewed in a pre-disciplinary hearing. See box 17 for more details.</p> <p>The subject's supervisor, Thea Prince, Senior Procurement Specialist, was also consulted to confirm that the employee had not resigned or requested leave for the entire period. This was not a formal documented interview.</p>
17	Was the subject interviewed or given the opportunity to respond to the allegations? In cases where the individual is not interviewed, is the justification documented?	<p>Yes, a Pre-disciplinary hearing was held on 10/26/2022 with the subject to allow for response to allegations and to communicate the City's investigation findings and provide the applicable Civil Service violations. See [  <a href="#">Pre-Disciplinary Notice 10-26-2022</a> ] and [  <a href="#">Investigative Memo_Martinez Internal Audit Findings Report</a> ]</p>
18	How did the subject respond to the key interview questions? Did they take responsibility for the misappropriation? If yes, when and how much?	<p>Per the notes taken during the pre-disciplinary hearing at:  <a href="#">Micaela Martinez Predisc Notes 10-26-2022</a> the subject said the following:</p> <ul style="list-style-type: none"> <li>• Performed all duties and performed them well</li> <li>• No loss to the City and was not disruptive</li> <li>• Took on a second job and was confident she could do both</li> <li>• Work with HCA was flexible, and decided to make both jobs work.</li> <li>• Did not steal and earned every penny made. She could do both jobs and even work 80 hours a week</li> <li>• Intended to resign from the City (<i>Note: subject mentions she is working with City until July 29, and then "vacationing" out. See email chain at  <a href="#">FW Contracts Specialist 3 - Micaela Martinez</a> .</i></li> <li>• Work schedule at the City is M-TH 7-5, and at HCA its M-TH 6-4:30 (<i>Note: between 8/1/22 – 9/3/22, subject had a M-F 8-5 schedule at HCA – see  <a href="#">Schedule change request to HCA</a> .</i> We received a copy of the subject's electronic time sheet with supervisor approval of the subject's work schedule of four-ten hour work days: [  <a href="#">Copy of A-1x Copy of Micaela Martinez Timesheet Info (002)</a> ]</li> </ul> <p>The subject acknowledged to working both at the City and HCA with the same working schedule, with the intent to resign from the City but did not. (Note: subject acknowledged to this in an email chain here:  <a href="#">FW Follow Up (from HCA)</a> )</p>

		<p>However, the subject did not take responsibility for the loss as she noted a loss did not occur as she fulfilled her responsibilities and earned her compensation.</p> <p>We also spoke with Michelle Murray on 11/04/2022; she stated that the City gave the option of termination for cause or resignation with restitution. If resignation had been chosen, the City would have withheld the amount of the loss from the subject's final paycheck. The subject would not sign any documentation taking responsibility or agreeing to remediation for the loss. Instead, she decided to be "terminated for cause" as noted in Michelle's email at:   <a href="#">Employee Situation 10-31-22</a>  <i>(Details are also documented in the pre-disciplinary hearing notes linked above).</i></p>
19	<p>Is there an overall summary including a schedule of the fraudulent activities and amounts misappropriated? Is the summary supported by work performed? Please describe what and how much you tied to support.</p>	<p>Yes, the City summarized their financial losses incurred in the Investigative Memo at:   <a href="#">Investigative Memo_Internal Audit</a></p> <p>We confirmed all amounts listed in 1 through 5 using the employee's paystubs for the applicable period of 8/01 through 9/23/2022. See work at:   <a href="#">Loss Estimate Confirmation</a> , where we determined all amounts were calculated correctly based on the employee's actual pay during the questioned period.</p> <p>The City also provided reports from their IT department with VPN and workstation log in information for when the subject accessed the City's systems. See: [  <a href="#">Copy of mmartinez_Log_VPN</a> ], a report with VPN logon information, we noted and confirmed with the City, this report only includes logon and no logoff data, so the subject could have been logged on for multiple days under one initial session. We noted there were logons during the period of 8/01 through 9/23/2022, however the City was not able to confirm how long each session was active and it appears most of the logons covered multiple days.</p> <p>We also received a workstation access report, which was recovered from the subject's laptop. The IT Department was only able to recover data from 9/13-9/26/22, see [  <a href="#">Copy of mmartinez_Work Station Access 9-13 to 9-26</a> ].</p> <p>We summarized the data in the Auditor Summary tab and noted that the subject was not logged on to the work station for their full work schedule of 7am to 5pm for any of days included. We compared this to the timesheet approvals at B.1.15 and noted that for all days, except 9/23/22, the subject was paid for a full 10 hour day.</p> <p>Based on this information, it is possible the subject did perform work at the City, but undetermined how much work was actually performed.</p>
20	<p>Is there fixed responsibility? Do you agree with the methodology used to assign fixed responsibility?</p>	<p>Yes, fixed responsibility can be assigned Micaela Martinez.</p> <p>Based on the investigation, there is documented evidence the subject worked at both entities during the time and did not resign from the City of Spokane.</p> <p>This investigation and the HCA external investigation were reviewed concurrently. We confirmed with Nathan Hathaway at HCA that they were in contact with the City and had provided the City with their results. See TM file S1HealthCareAuthority-FD22.</p>

		<p>The HCA's interview on 9/26/2022 with Micaela Martinez documents her statement that she was still technically an active employee at the City of Spokane but was not actively completing any work for them and she had dedicated her working hours to HCA. She also stated she had ceased work for the City as of 7/28/2022.</p> <p>Based on this, we agree with the City's methodology to assign responsibility.</p>
21	When did the individual investigating complete the investigation?	October 10, 2022
22	What are the results of the investigation and the amount of the loss? (If not already described above, summarize the results of the investigation here.)	<p>The City's IA investigative memo concluded the actions of Ms. Martinez did result in a financial loss to the City in the total amount of \$11,552.20 for payroll costs incurred that the employee was not entitled to receive. IA also concluded that Ms. Martinez may have violated portions of the Washington State Ethics Law (RCW 42.52). It is the understanding of IA that HCA is conducting their own investigation into the actions of Ms. Martinez and as a state agency is better suited to opine on this topic.</p> <p>The financial losses incurred by the City are described in more detail in the memo (attached at <a href="#">Investigative Memo_Martinez Internal Audit Findings Report</a>). These losses occurred between August 1, 2022 and September 23, 2022.</p>
23	Have any restitution agreements been signed?	No, the subject did not sign any City documents or take responsibility for the misappropriation.
24	Who received the results of the investigation? When?	<p>October 10, 2022 Results were sent to Michelle Murray, Tonya Wallace, CFO, and Coleen Carjack, Human Resources Consultant</p> <p>October 14, 2022 to Thea Prince, Senior Procurement Specialist; Micaela Martinez, Procurement Specialist; Samantha Johnson, President, M&amp;P; John Klapp, Vice President, M&amp;P; Dave Kokot, Past President, M&amp;P</p>
<b>Conclusions</b>		
25	Do you have any concerns about the work or evidence obtained? If yes, describe.	No
26	Do you agree with the conclusions? If no, describe.	<p>The City conducted a review into the subject's emails, VPN, and workstation logon activity, and determined that it does appear the subject did access these and was in attendance at work, but for undetermined amounts of time. Therefore, it is likely the subject completed some work at for City, however they could not conclude with any measurable evidence of work performed other than the timesheets submitted by the subject.</p> <p>Additionally, while the subject said she fulfilled her responsibilities and there is no loss, she also did acknowledge to working 2 jobs at the same time. We confirmed in the S1HealthCareAuthority-FD22 teammate file the subject had the same working schedule (except for the period of 8/1 – 9/3 where the subject worked Fridays at HCA).</p> <p>The City concluded the actions of the subject did result in a financial loss to the City in the total amount of \$11,552.20 for payroll costs incurred that the employee was not entitled to receive, and may have violated portions of the Washington State Ethics Law (RCW 42.52).</p>

		In all, we agree that an ethics violation occurred as the subject was working two jobs at once as there is evidence to support the subject worked at both entities during the loss period. However, we are unable to quantify the extent of the loss on the City, as we cannot determine the amount of overlap in time the subject was actively working at both HCA and the City.
27	Document how any concerns noted during this review will be resolved. If you think additional procedures should be performed, please describe and contact Team Special Investigations to discuss and obtain approval for the investigative plan and budget.	No concerns noted, no additional procedures necessary
28	Submit a helpdesk to notify Team Special Investigation that this checklist is complete, reviewed at the team level and available in TeamMate for review.	The checklist is complete and has been reviewed at the Team level on 2/3/2023, by Larissa Nolte AAM. A helpdesk has been submitted